

Supplement to INFORMATION LETTER NATIONAL CANNERS ASSOCIATION

No. 1826

Washington, D. C.

May 6, 1961

N.C.A. Presentation before the House Committee on Agriculture in Opposition to Legislation Proposing To Authorize Marketing Orders on Canning Crops

Canning industry opposition to legislation to authorize marketing orders on canning crops was presented to the House Committee on Agriculture by representatives of the National Canners Association May 5.

Two canners, on their own behalf and for the industry, testified in opposition to provisions in the Administration's omnibus farm bill, H.R. 6400, that would add fruits and vegetables for canning and freezing to the list of commodities for which marketing orders would be authorized. Their opposition was directed also to provisions in the bill that would also provide national marketing quotas and price supports on processing crops.

The two canner witnesses were Norman W. Merrill, vice president and general manager of Blue Lake Packers, Inc., Salem, Ore., and Edwin

C. Kraus, president of the Big Stone Canning Company, Ortonville, Minn. Appearing with them was H. Thomas Austern, Chief Counsel of the Association.

In this Supplement to the INFORMATION LETTER are reproduced the statements of Messrs. Merrill and Kraus, excerpts from the transcript of questions by the Committee and the witnesses' responses, and the text of a statement explaining N.C.A. opposition to marketing order, marketing quota, and price support provisions of the farm bill.

The same series of charts and supporting data were used by Mr. Merrill in his oral presentation and in the formal statement submitted by the Association. These are interspersed in this Supplement.

STATEMENT

By Norman W. Merrill

[Following is the complete text of the statement delivered to the Committee by Mr. Merrill.]

My name is Norman W. Merrill and I am vice president and general manager of the Blue Lake Packers, Inc., Salem, Ore. I am appearing for the National Canners Association which represents the canning industry in 48 states and each of the territories. The Association wishes to file with the Committee a full statement together with charts and exhibits. I understand, Mr. Chairman, that you have copies of this document and I ask that it be made a part of the record of these hearings.

I also represent the Northwest Canners and Freezers Association and 10 marketing cooperatives that operate in the states of Washington and Oregon with a membership of almost 4,300 farm families. I am authorized by the board of directors and management of these farmer cooperatives to register their opposition to any regimentation of crops for canning and freezing.

Now with your permission I should like to summarize the facts supporting the canning industry's position that the present exemption for canning fruits and vegetables be retained—and why we vigorously oppose the extension of compulsory marketing orders and production allotments to all canning commodities.

In so doing, we will be confirming the wisdom of Congress in keeping canning fruits and vegetables and products out of these controls since 1933.

The best way to state our position is to demonstrate to this Committee the kind of voluntary and effective farm program that now exists between growers and canners, and to show how that program has benefited the farmer, the canner, and the consumer.

Next, we will demonstrate how what is authorized in this bill will disrupt this effective operation of our segment of agriculture—and the plain injustice of putting canners under compulsory marketing orders to which they will have no voice—which will control their own operations—and for which they will have to pay the bills.

Except in one respect, this proposal for compulsory marketing orders over canning is not new. For more than two and a half decades we have offered sound reasons against it. Congress has accepted these reasons, and the story of what has happened has abundantly confirmed the wisdom of Congress doing so.

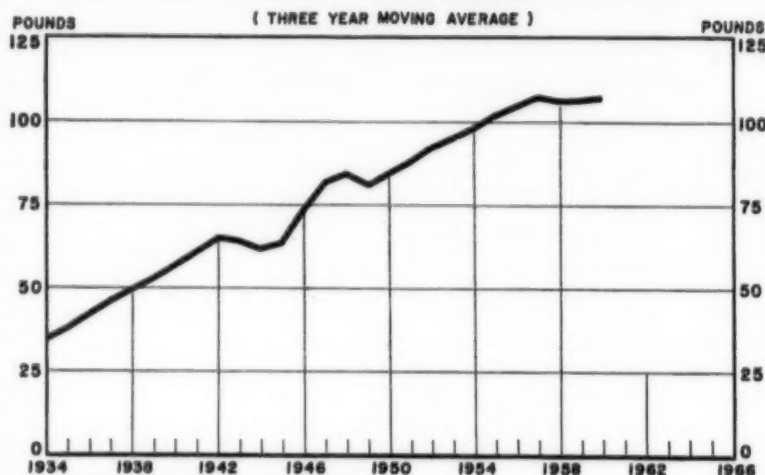
Very briefly, I would like to describe to the Committee how the grower of canning crops and the canner work together—how this coopera-

tive and unregimented program has increased the per capita consumption of canned foods and vastly increased the farmer's market for canning crops.

We will demonstrate that the income from canning crops—without these controls—has been relatively greater than the income from the basic agricultural commodities.

Figure 1

PER CAPITA CONSUMPTION OF PROCESSED FRUITS, VEGETABLES, AND JUICES*



* Includes frozen citrus juices and concentrates on a single strength basis and frozen vegetables and frozen fruits

Per Capita Consumption of Processed Fruits, Vegetables and Juices
1934-1960
(Three-Year Moving Averages)

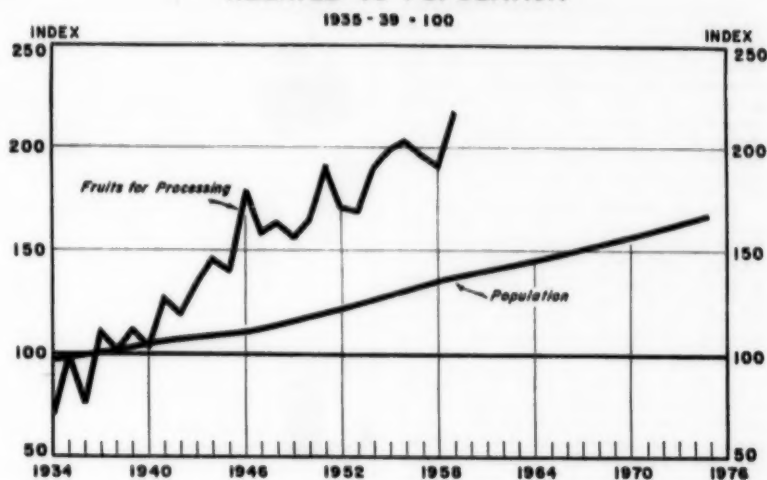
Year	Canned			Frozen		Total
	Fruits	Fruit Juices	Vegetables (pounds)	Fruits & Juices*	Vegetables	
1934.....	11.5	0.4	22.5	0.5	0.2	35.1
1935.....	12.6	1.0	23.8	0.5	0.3	38.2
1936.....	14.2	1.6	25.7	0.6	0.3	42.4
1937.....	14.5	3.0	27.8	0.6	0.4	46.3
1938.....	15.2	3.8	29.4	0.7	0.4	49.5
1939.....	15.0	5.0	30.8	0.9	0.4	52.1
1940.....	16.9	5.9	32.4	1.1	0.5	56.8
1941.....	17.7	7.2	34.4	1.2	0.6	61.1
1942.....	18.1	8.1	37.0	1.3	0.6	65.3
1943.....	15.9	8.1	37.9	1.3	0.6	64.0
1944.....	13.1	8.7	37.0	1.5	1.1	61.4
1945.....	12.1	9.5	38.2	1.8	1.4	63.0
1946.....	15.3	13.0	41.5	2.5	1.8	74.1
1947.....	18.3	14.8	43.5	2.9	2.2	81.7
1948.....	19.8	16.8	41.7	3.2	2.5	84.0
1949.....	18.9	15.9	39.2	4.0	2.0	80.9
1950.....	20.2	15.2	39.7	5.0	3.2	83.9
1951.....	20.4	14.4	41.1	7.9	3.6	87.4
1952.....	20.8	14.0	42.1	10.8	4.3	92.0
1953.....	20.6	14.1	42.2	13.4	5.0	95.3
1954.....	21.1	13.5	42.1	15.8	5.5	98.0
1955.....	21.7	13.5	42.6	17.5	6.0	101.3
1956.....	21.8	13.7	43.1	18.7	6.6	103.9
1957.....	22.3	14.0	43.8	19.9	7.1	107.1
1958.....	22.3	13.3	44.1	19.0	7.6	106.3
1959.....	22.3	12.4	44.2	19.2	8.2	106.3
1960.....	22.7	12.2	44.6	19.0	8.7	107.2

* Includes frozen citrus juices and concentrates on a single-strength basis.

Production of Fruits for Processing 1934-1959

Year	Non-Citrus (thousands of tons)	Citrus	Total	Index 1935-39 = 100
1934	3,253	174	3,427	71
1935	4,274	523	4,797	99
1936	3,413	261	3,674	76
1937	4,715	609	5,324	111
1938	4,164	748	4,912	102
1939	4,475	953	5,428	112
1940	3,904	1,081	4,985	103
1941	4,644	1,513	6,157	127
1942	4,429	1,325	5,754	119
1943	4,715	1,860	6,575	136
1944	5,028	2,024	7,052	146
1945	4,588	2,198	6,786	143
1946	5,893	2,789	8,682	179
1947	5,056	2,507	7,563	158
1948	4,843	3,116	7,959	164
1949	4,793	2,762	7,555	156
1950	4,901	3,066	7,967	165
1951	5,552	3,686	9,238	191
1952	4,944	3,339	8,283	171
1953	4,782	3,393	8,175	169
1954	4,931	4,334	9,265	191
1955	5,531	4,115	9,646	199
1956	5,443	4,361	9,804	203
1957	4,945	4,609	9,554	197
1958	5,228	4,031	9,259	191
1959	5,750	4,745	10,495	217

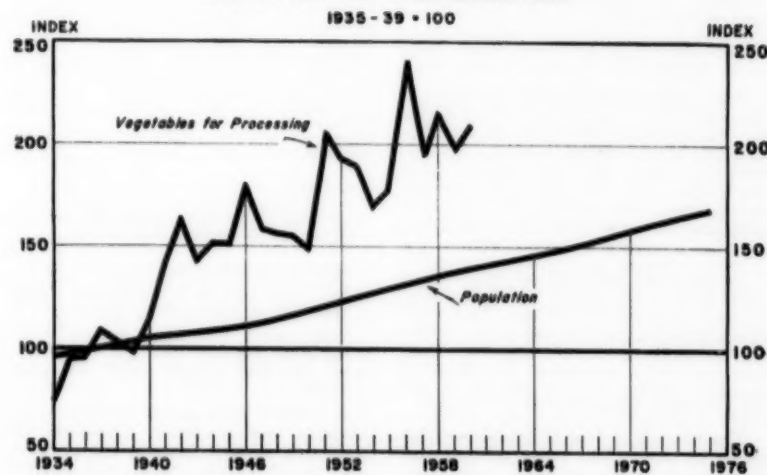
Figure 2
**FRUITS: PRODUCTION FOR PROCESSING
RELATED TO POPULATION**



Vegetables: Production for Processing* 1934-1960

Year	Production (thousands of tons)	Index 1935-39 = 100
1934	2,620	75
1935	3,333	95
1936	3,309	95
1937	3,816	109
1938	3,584	103
1939	3,412	98
1940	4,005	115
1941	5,037	144
1942	5,736	164
1943	4,975	142
1944	5,294	152
1945	5,255	151
1946	6,289	180
1947	5,530	158
1948	5,449	156
1949	5,422	155
1950	5,175	148
1951	7,207	206
1952	6,696	192
1953	6,600	189
1954	5,901	169
1955	6,178	177
1956	8,375	240
1957	6,809	195
1958	7,502	215
1959	6,914	198
1960	7,312	209

Figure 3
**VEGETABLES: PRODUCTION FOR PROCESSING
RELATED TO POPULATION**



* Includes asparagus, snap beans, lima beans, beets, cabbage (kraut), corn, cucumbers, peas, spinach, tomatoes.

Source: U. S. Department of Agriculture.

Finally, I want to show the Committee that the price paid by the consumer for canned foods has continued to be substantially less than for other foods.

Canning, which has been called by the Encyclopedia Britannica one of the seven major inventions of historic times, does two things: it gives the consumer, along with built-in maid service, a fully balanced all-year round diet; and it gives the grower of seasonal fruits and vegetables a 12-month market instead of a short and hazardous seasonal one.

This is possible because the canner adds to the value of the raw agricultural material by contributing his processing skill, his investment in materials and facilities, in payrolls and the financial cost of carrying and merchandising the finished product. On top of this he assumes all of the marketing risks.

In short, canning—and the market it provides for canning crops—is a unique part of our agriculture. You cannot—and you should not—authorize the broad-scale controls here sought. If you do, you will stifle both grower and canner—and injure the consumer.

We say to you that this legislation is both unnecessary and undesirable for canning crops—because there has been and now is a successful farm program in operation for those crops.

It has been voluntarily developed by the grower and the canner, and in operation for more than 50 years. It is simple. It has worked to the advantage of the grower, the canner, and the consumer.

It is generally referred to as "contract farming." It works like this:

The canner, who knows the market for canned foods, studies the outlook for the coming year late in the fall and the early winter months. He determines what he can process and profitably sell. He then goes among the farmers in his area to contract sufficient acreage to produce the volume he can process and market.

To get that acreage contracted, he must offer a price that will induce the farmer to grow the crop. The most attractive element in that price to the farmer is the guarantee that the canner will take whatever the planted acreage yields and the farmer is assured a cash income on that acreage.

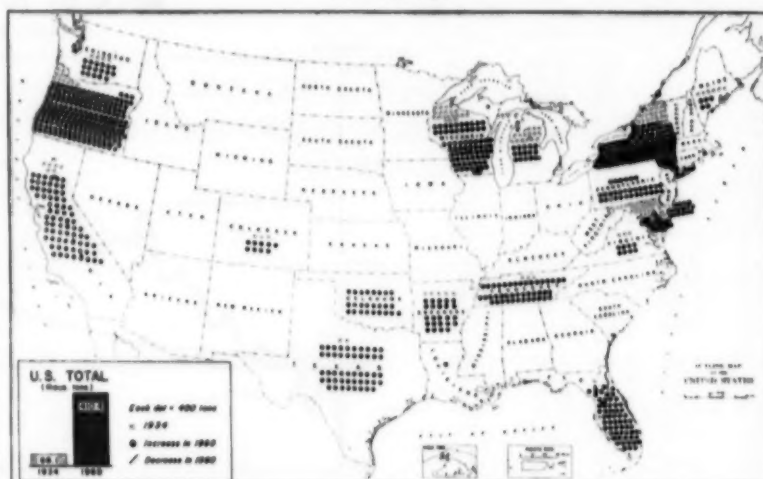
The farmer is free to grow canning crops or not. The price offered for them must be competitive—both with other crops, including those subsidized, and with what competing canners are offering.

Often the canner supplies specialized machinery and seed, and sometimes assists in the harvesting of the crop. Once that crop is harvested and delivered, the grower gets his money and runs no further risks.

Figure 4

SNAP BEANS: GROWTH OF PRODUCTION FOR PROCESSING

1934 TO 1960



Snap Beans: Production for Processing 1934 and 1960

State	1934 (thous. of tons)	1960 (thous. of tons)	1960 as % of 1934 (percent)	1934-36 Ave. (thous. of tons)	1957-59 Ave. (thous. of tons)
Maine	2.3	4.2	183	2.6	4.5
New York	12.2	73.1	599	12.0	63.0
Pennsylvania	2.5	13.1	524	2.4	11.4
Michigan	5.8	12.0	207	7.0	14.7
Wisconsin	7.8	30.7	471	8.0	32.5
Delaware	1.2	7.5	625	1.3	4.5
Maryland	10.5	18.7	178	12.5	14.6
Virginia	1.0	4.2	420	11.0	4.4
Florida	0.3	23.5	7833	0.3	17.3
Tennessee	1.2	18.0	1500	1.4	15.5
Arkansas	1.8	11.4	633	1.3	8.2
Louisiana	0.5	0.2	40	0.7	0.4
Oklahoma	0.05	10.0	20000	0.07	7.5
Texas	0.0	19.8	2200	1.2	11.5
Colorado	1.1	4.6	418	2.1	5.5
Washington	1.7	8.3	488	2.2	10.3
Oregon	4.3	83.1	1933	6.0	86.0
California	2.2	31.0	1409	2.0	26.1
U. S. Total*	60.1	410.4	621	71.7	364.8

* Includes all other producing states in addition to those in table.
Source: U. S. Department of Agriculture.

The canner has the major investment. The canner runs all the risks of marketing the canned product.

Now, what has that system produced over the past two and a half decades for the farmer and the consumer?

Dr. Stier, Director of the National Canners Association's Division of Statistics, is here to help me present a series of charts which will simply and vividly show the members of the Committee these dramatic results.

In the first place, you will recall that Secretary Freeman talked about increasing markets. The canning industry has already effectively done this.

For as the first chart (Figure 1) shows, the consumption of canned

fruits, vegetables and juices has increased tremendously—from about 35 pounds to 107 pounds per capita per annum from 1934 to 1960.

As the next two charts (Figures 2 and 3) show, those markets developed for canning fruits and vegetables have far outstripped the growth in population. You will note that production increase of fruits for processing is six times the rate of population increase.

In the case of vegetables, it was five times.

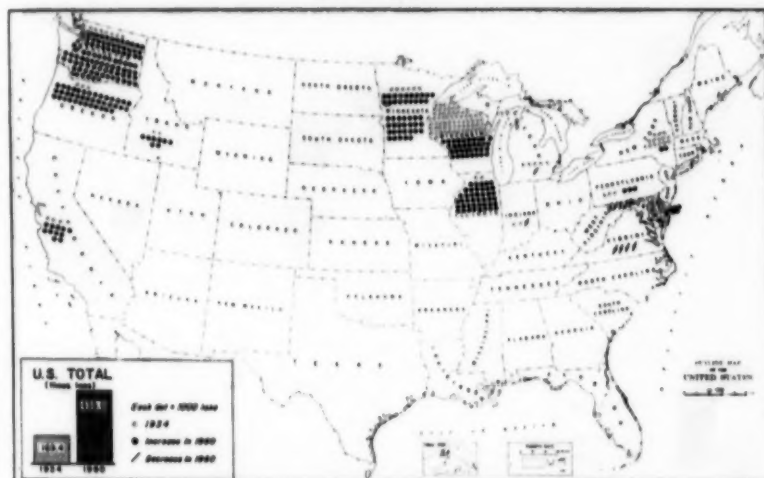
Next, and even more important, this growth has meant the opening up and development of vast new canning areas in many states.

When the controls you now are asked to authorize for the canning in-

Figure 5

PEAS: GROWTH OF PRODUCTION FOR PROCESSING

1934 TO 1960



Peas: Production for Processing 1934 and 1960

State	1934 (thous. of tons)	1960 (thous. of tons)	1960 as % of 1934 (percent)	1934-36 Ave. (thous. of tons)	1957-59 Ave.
New York	13.6	15.8	116	16.7	17.4
Pennsylvania	3.0	6.4	213	4.1	9.1
Indiana	2.0	2.0	77	3.0	1.9
Illinois	2.1	44.3	2109	8.3	40.8
Michigan	6.4	4.5	70	7.4	5.5
Wisconsin	71.1	106.0	149	63.3	136.3
Minnesota	5.8	51.4	89	15.4	57.2
Delaware	3.0	8.7	290	3.0	7.9
Maryland	14.9	10.1	68	16.0	10.5
Idaho	2.3	9.7	422	1.9	11.7
Washington	6.7	96.6	1442	16.0	96.7
Oregon	2.7	43.3	1604	7.5	67.3
California	3.3	13.5	409	4.0	10.8
U. S. Total*	105.4	435.0	263	207.1	504.9

* Includes all other producing states in addition to those in table.
Source: U. S. Department of Agriculture.

dustry were first suggested in 1934, the major canning crops were grown in some states but not in others.

This next series of charts (Figures 4-8) shows vividly how new canning areas have been brought into production. This has offered to farmers in these areas the opportunities for new cash crops. Again, let me remind you that this has been accomplished without controls of any sort.

Let's look at some of the principal vegetables.

On these maps the green dots represent the production in 1934 and the red dots the increase in 1960. Each dot on the map for snap beans represents 400 tons.

The production of snap beans has developed over 25 years into many new areas and vastly increased in all others.

Peas for processing have increased about three-fold. The growth in Illi-

nois, Wisconsin—and phenomenally in Washington and Oregon—can readily be seen.

Corn for processing has had a three-fold increase with many new areas becoming important canned corn producers.

Tomatoes and tomato products have increased about three times—with a phenomenal increase in California.

Much the same picture is shown for asparagus.

All of this has happened without compulsory marketing controls. All of this has happened since Congress first rejected the request that the control of this industry be put in other people's hands, and instead permitted us to do our own effective job.

In the case of fruits, the proportion processed has tremendously increased—which once again shows that canning does the job—and, when not strait-jacketed, can increase markets.

The first chart (Figure 9) shows the increase from 1934 to 1958 of the proportion of deciduous fruits processed.

For vegetables, much the same picture is reflected in this chart (Figure 10). Note that in 1934 only about one-fifth of the snap beans were processed. Now almost two-thirds are processed.

The most dramatic increase has taken place in citrus, and particularly oranges, where only 7 percent were processed in 1934-36 as against 62 percent in 1957-59 (Figure 11).

Every member of Congress should be interested in this next chart (Figure 12). It shows vividly that this vast expansion has been accomplished with the consumer price of canned foods kept considerably below that of all foods. This performance has not cost the taxpayer a cent.

You will recall that Secretary Freeman referred to the decline of farm prices, generally noting that prices received by farmers were now 12 percent below the 1947-49 average. In contrast to this over-all decline the four major canning vegetables—snap beans, corn, peas and tomatoes—showed an increase in the price received by the grower from an average of \$57.57 a ton to \$60.27 a ton, or about 2½ percent in the period 1950-60. The source of these figures is the U. S. Department of Agriculture. In addition to this increased price per ton received by farmers, yields per acre in the like period for these four crops increased an average of 82 percent, which when coupled with the price increase resulted in a 42 percent gain in the return per acre for these four major canning vegetables.

Against this record, we repeat that compulsory marketing orders with production allotments or marketing quotas are not needed for canning crops.

Thus it is crystal clear that along with this vast expansion of market for canned foods, prices paid to farmers have been far better than the prices they have received for other agricultural commodities.

Therefore, the canning industry renews its objection to this so-called "self-help" legislation.

We do not challenge the sincerity of those who seek the authority to impose controls—upon others—where none are needed.

We do challenge the application of this unnecessary and unfair regimentation to the canning industry.

Another witness will tell the Committee what the program can do—how this bill would apply to canning—and demonstrate why it is plainly unreasonable and undemocratic as applied to this industry.

I will conclude with these few brief thoughts:

With few exceptions, the year-in-year-out relationship of a grower and canner is this:

1. They live in the same neighborhood and are friends. A cannery is usually located as near as possible to a sufficient number of farms to supply it with a quantity of commodities the canner can sell. This makes a ready market for the farmer at his own back door. Putting farm products in a can is just another way of getting them to market.

2. The farmer and canner are obliged by the very nature of agriculture to negotiate for any year's production weeks or maybe months in advance because seed, plants, fertilizer have to be ordered or grown well in advance of the actual planting and canning season.

3. Both are good business men (maybe country style by some standards). They know a great deal about their own business, and are in the best position to make mutually satisfactory arrangements taking into consideration the acreage to be planted, the price to be paid, as well as the many details required to bring the product to proper maturity in a manner satisfactory to them both.

I ask you in all sincerity, do you think that anyone can make a better decision than they can make for themselves, especially since they are dealing solely with their own money and are dealing with a subject about which they know the most?

With this picture, which most of you know from personal experience in your various Districts throughout the United States, do you actually know of any reason why this segment of agriculture should be subjected to any type of production controls?

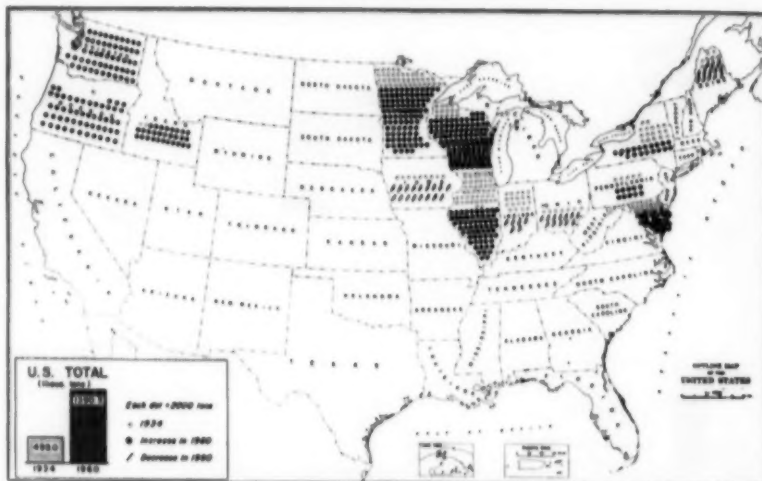
We do not believe that the blank check which this bill provides for the complete control of our raw materials—for the complete dictation of the volume that we may pack or from whom we may contract for its growing—for programs in which we will have no voice—for the creation of costly and unnecessary controls for which either we or the consumer must pay—is either necessary or will benefit anyone.

QUESTIONS by the House Agriculture Committee

[Following are excerpts from the transcript of questions by Chairman Cooley and the answers by Mr. Merrill and Mr. Austern.]

THE CHAIRMAN. We thank you very much, Mr. Merrill. I would like to ask one question. What section of this bill provides or authorizes mandatory marketing orders or marketing quotas for canning commodities?

SWEET CORN: GROWTH OF PRODUCTION FOR PROCESSING 1934 TO 1960



Sweet Corn: Production for Processing 1934 and 1960

State	1934 (thous. of tons)	1960 (thous. of tons)	1960 as % of 1934 (percent)	1934-36 Ave. (thous. of tons)	1957-59 Ave. (thous. of tons)
Maine.....	40.3	14.2	35	50.7	19.5
New York.....	33.6	70.2	209	40.4	68.5
Pennsylvania.....	9.2	29.4	320	13.5	24.2
Ohio.....	39.9	16.8	42	43.2	16.4
Indiana.....	50.0	38.9	78	58.0	45.7
Illinois.....	80.2	216.6	243	131.7	250.1
Wisconsin.....	27.4	262.9	959	32.0	341.6
Minnesota.....	81.3	275.7	339	11.0	327.5
Iowa.....	51.3	17.4	34	66.0	44.0
Delaware.....	6.0	16.7	278	8.0	13.9
Maryland.....	43.6	99.7	229	60.8	77.7
Idaho.....	3.9*	61.7	1582	4.1*	63.4
Washington.....	.5	105.7	21140	3.5	78.9
Oregon.....	2.2	196.4	4836	3.6	83.8
U. S. Total.....	498.0	1,390.5	279	654.8	1,477.7

* 1935 Production. † 1935-36 Average. * Includes all other producing states in addition to those in table.

Source: U. S. Department of Agriculture.

MR. MERRILL. Do you mind, Mr. Chairman, if I ask Mr. Austern to answer that question?

THE CHAIRMAN. All right, sir.

MR. AUSTERN. There are three sections, Mr. Chairman. You will find that section 8c(2) has had added to it a new subsection (B) which you will find on page 8, beginning on line 21 of the bill before you. And that provides for the complete control of every commodity for canning.

THE CHAIRMAN. You refer to subparagraph (A), page 8. It seems to me that sentence beginning on line 2 exempts them.

MR. AUSTERN. As Mr. Merrill stated, Mr. Chairman, and as the next witness, I believe, will fully develop, control of the raw material in that provision amending 8c(2) coupled with the two new provisions which are contained here—

THE CHAIRMAN. Here is the language—

MR. AUSTERN. 8f and 8g, covering the entire—

THE CHAIRMAN. Page 9, it says: "but not the products (including canned or frozen commodities or products thereof)."

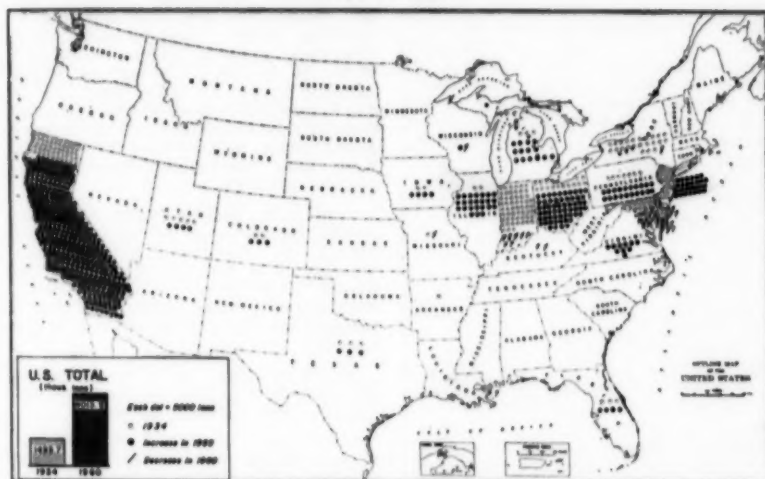
MR. AUSTERN. That is correct, sir.

As to those canning commodities, which include all those exempted in (a), the canned product, the sale of it by the canner, through the distribution channels, and through the retailer is not controlled. The Committee will perhaps recall that when Mr. Parker [Joseph Parker, former counsel, House Agriculture Committee] was before it, in characterizing what is contained in (A), he told the Committee there were few people alive who could answer it very specifically. Unfortunately, I am one, since I have

Figure 7

TOMATOES: GROWTH OF PRODUCTION FOR PROCESSING

1934 TO 1960



Tomatoes: Production for Processing 1934 and 1960

State	1934 (thous. of tons)	1960 (thous. of tons)	1960 as % of 1934 (percent)	1934-36 Ave. (thous. of tons)	1957-59 Ave. (thous. of tons)
New York	119.2	113.8	96	123.8	111.8
New Jersey	136.0	271.8	200	176.7	109.8
Pennsylvania	36.5	135.4	371	61.5	162.6
Ohio	82.4	377.0	458	98.4	232.4
Indiana	315.4	280.9	89	331.8	229.2
Illinois	11.1	129.6	1168	24.0	117.3
Michigan	17.3	84.2	487	20.1	83.4
Wisconsin	11.3 ^a	3.7	33	10.1 ^b	6.2
Iowa	7.7	29.7	386	8.3	16.4
Missouri	9.6 ^b	3.3	34	7.2	4.0
Delaware	45.9	27.2	59	48.1	28.8
Maryland	202.0	103.2	51	228.5	72.3
Virginia	50.4	43.2	86	67.8	40.4
Florida	14.0 ^b	34.5	246	14.0 ^b	34.7
Kentucky	9.4	2.2	23	10.3	3.7
Arkansas	2.6	5.7	219	9.5	6.4
Texas	16.0 ^b	30.0	188	16.0 ^b	50.6
Colorado	12.1	27.1	224	17.5	24.0
Utah	26.0	46.4	178	37.8	39.1
California	282.2	2,241.0	794	350.6	2,225.2
U. S. Total ^c	1,425.7	4,013.5	282	1,704.8	3,713.4

^a 1935 Production. ^b 1935-36 Average. ^c Includes all other producing states in addition to those in table.

Source: U. S. Department of Agriculture.

been in it from 1933. And he said that, "There is a broad almost unlimited grant of discretion to the Secretary for a system whereby he can control everything through the distribution level clear on through the retail process."

It is true, sir, that as to part (B) which now brings in every canning commodity, the control is limited to the raw material, but our next witness will develop why, in terms of the rigid controls over the canning industry, that makes very little difference.

THE CHAIRMAN. You and Mr. Merrill agree that this bill specifically exempts canned and frozen commodities and the products thereof?

MR. AUSTERN. In the finished form. It in no wise exempts—but controls to the fullest detail—the raw material for processing.

THE CHAIRMAN. All right. In other words, you are objecting to the producers themselves expanding marketing orders which might ultimately and finally affect the canning industry?

MR. AUSTERN. Well, not *might*, because if the Committee will examine the proposal, contained here in 8(7) and 8(8), particularly in 8(7), it reads on what every canner may buy from every grower, as to volume, grade, size.

THE CHAIRMAN. All right, that is in the marketing order, that is, the marketing order which the producers may impose upon themselves.

What other exemption do you want for the canning industry that you do not already have?

MR. AUSTERN. I think I will let the next witness testify to that.

STATEMENT

By Edwin C. Kraus

[Following is the complete text of the statement delivered to the Committee by Mr. Kraus.]

My name is Edwin C. Kraus. I am president of the Big Stone Canning Company, of Ortonville, Minn., and a director of the Minnesota Cannery Association. I am appearing on behalf of both the Minnesota Cannery Association and the National Cannery Association to oppose the provisions of H.R. 6400 as they affect the canning industry.

I will attempt to show what these provisions are, how they will work, and why as canners we oppose them. I want you to understand that I am not talking as a lawyer about the legal effects of the measure, but solely and wholly about how the provisions will affect the industry.

To begin with, the bill in the first place authorizes controls on any and all raw products used by canners in processing on either a regional or national basis. While it is true the finished product is not covered as such, that actually makes little difference, for to control our raw product effectively controls our whole operation. The difference, in essence, is the difference between sudden and slow death.

Let us examine why we are concerned:

First of all, who is ordered under the marketing order? The answer—the canner, for he is made subject to the penalties and forfeitures provided in the Act, in his buying of the canning crop. These penalties can be quite drastic and range from a \$50 to \$500 fine for each violation, and each day of a continuing violation is a separate violation. The Act even provides that under certain circumstances these penalties apply to the grower, that is, when the compulsory marketing orders include product allotments which are provided for under the bill.

I think it would be interesting for the members of this Committee to understand just what can be done to the canners under the provisions of this Act. Here are a few:

1. The canner may be restricted in the total quantity of raw product that he may buy or can.

2. The canner may be restricted in the grade, quality and size of the

Figure 8

ASPARAGUS: GROWTH OF PRODUCTION FOR PROCESSING

1939 TO 1960



Asparagus: Production for Processing 1939-1960

Year	U. S.	New Jersey	Illinois	Michigan	Del. & Md.	Wash.	Calif.*
							(thousands of tons)
1939.....	64	6.6	3.7	1.6	.7	2.3	48.3
1940.....	72	5.7	4.2	2.3	1.3	3.7	54.0
1941.....	64	9.4	5.6	3.1	1.1	4.8	38.2
1942.....	82	12.2	7.1	3.1	.9	4.7	51.9
1943.....	80	13.9	6.1	4.4	1.5	6.0	46.2
1944.....	92	17.4	6.6	4.2	2.1	6.6	54.0
1945.....	100	20.8	8.8	3.8	1.7	7.4	56.0
1946.....	110	20.8	8.9	4.5	1.4	8.3	64.4
1947.....	91	17.6	8.1	5.1	.9	8.0	49.0
1948.....	86	16.9	8.2	5.9	1.0	8.8	43.3
1949.....	106	19.4	8.5	6.1	1.7	10.5	57.4
1950.....	106.2	20.2	7.2	6.3	1.9	10.7	58.0
1951.....	105.4	22.4	6.7	6.6	1.5	10.2	55.3
1952.....	97.0	19.5	6.0	7.0	1.7	11.5	48.8
1953.....	93.6	20.5	6.5	4.8	1.8	11.6	45.9
1954.....	102.1	21.1	6.2	5.9	2.6	11.6	51.8
1955.....	120.4	21.9	6.7	6.3	3.6	12.7	74.5
1956.....	117.5	20.8	7.0	6.6	3.5	15.0	60.6
1957.....	114.5	20.1	6.5	7.3	4.7	15.0	56.6
1958.....	111.3	19.3	6.2	6.6	4.9	11.3	59.4
1959.....	118.5	22.6	5.8	7.4	5.6	13.0	60.0
1960.....	126.2	22.0	5.9	8.5	5.5	16.0	61.1

* Estimates available for California only 1918-1938. California production in thousands of tons: 1918-22.6; 1925-43.4; 1930-66.8; 1931-43.8; 1932-33.3; 1933-51.1; 1934-50.0; 1935-56.7; 1936-59.1; 1937-51.2; 1938-44.7.

Source: U. S. Department of Agriculture.

raw product that he may buy for canning purposes.

3. He may be restricted in the amount, the grade and the quality that may be canned, frozen or shipped to the fresh market.

4. In addition, the bill provides for an inspection system for all crops that come into the cannery.

Now, if production allotments are likewise included, then all of these

apply not only to the canner but to the grower as well.

The new Section 2f, subdivision (4) says in effect: The Secretary's national order will tell each grower how much he may grow, or contract to grow, for each canner, and what and how much each canner may buy from each grower.

This I submit is complete and final control over the operation of a canner

and a grower, a control indeed that cannot be matched in either Russia or China, for there at least the government pays the bill.

I submit that these controls are not needed nor are they adapted to canning crops. They would freeze everybody, grower, canner, region and state in a strait jacket on every canning crop. To those members of the Committee whose states are looking for new crops and new industries based upon agriculture, we submit that these restrictions pose a most serious problem.

Now, who decides when an order should be put into effect and what should be included, who decides whether the control should be regional, local or national? In short, who controls what, when and where canning may be carried out? Not the canner.

He can't vote. All the processor can do is to obey and, as we shall see, pay the cost of the program.

Even more, though, I suppose the canner should be considered at least somewhat a specialist in his field. He is allowed no representation on the control agency that is to run the marketing order—to decide who cans what—how much goes to canning, freezing, or to the fresh market, how much gets diverted, what is to be advertised or researched. In none of this does the canner have any voice, only the grower is allowed to vote. We submit that this is not self-help, but to the canner is destruction. This is not as the Secretary said "expanded research in consumer preferences and merchandising, financed by producers subject to the marketing program."

As applied to canning commodities marketing orders under this bill are not producer financed. They impose a private tax upon the processor who bears the marketing risk, contributes the bulk of the value to the finished product and must carry and finance the inventories involved. Shades of the Boston Tea Party!

I am sure that you have heard a lot about the so-called safeguards provided by the bill. First, we have the one about hearings. Now the bill says plainly that if a national marketing order on any canning crop is proposed by the Secretary of Agriculture he can put it into effect without any hearing or findings at all, and his determination is final (§g(2)).

I am sure you have heard much about the Congressional veto provided in the bill. None of that, however, applies to a compulsory marketing order on canners. Only under the bill does Congress have the right to veto when there are individual product allotments provided for in the marketing order or the order is national in scope. This is the only time that the proposal even has to be sent to Congress. Any regional order can go

into effect without Congress even being advised about the action. As shown in our statement that has been filed with the Committee, Congress, even when it may have the power to veto a national or allotment program, does not under this bill have the power to amend or modify any of the programs. It takes it on a take-it-or-leave-it basis.

I am sure that no one in this Committee or in Congress takes seriously the safeguard that is provided for approval by the President of a marketing program. I am sure that we will all agree that the President is too busy with the affairs of state to concern himself with allotments on canning tomatoes or peas.

Under the 1934 marketing order act he has the authority to delegate this power to his Secretary of Agriculture and I am sure, as I know that you are, that his authority will be delegated in this way. I am likewise confident that the President is not likely to overrule his own appointee to this office.

Finally we are told by the proponents that no marketing order or control program will go into effect without a referendum, but—as we have been saying, and no one can deny—the referendum does not include the processor. Frankly, it would serve little use to talk about the difficulties posed by these referendums for as yet we are unable to determine from the bill whether they are to be held before or after the program is sent to Congress.

I do call to your attention that in such a referendum it is distinctly possible that one or two states with large volumes could control the whole referendum.

I hope that I have made abundantly clear to the members of this Committee that the control of the canner's raw material is effective control of his entire operation for if I have, I am confident that this Committee will then understand why this industry is so vigorously opposed to these provisions of this bill, and I am sure will give their most sympathetic understanding.

I believe that we have probably done the best job in any segment of American agriculture. Certainly as has been pointed out to you by Mr. Merrill, we have paid the growers of our canning crops by far the best returns of any part of agriculture. In doing this we have likewise supplied the consumer of canned foods with seasonal foods 12 months of the year at prices that are 55 index points lower than all foods. We have accomplished this at a most modest return to the canner.

To take the control of our business out of the hands of management, leaving us only the dubious right of paying the bill, we think is wrong. If I, as president of the Big Stone Can-

ning Company, make a serious mistake in our operation it can mean bankruptcy for our company. If the Secretary of Agriculture under this act should make the same mistake affecting the entire canning industry, it could mean catastrophe to the entire industry. May I remind you that marketing orders affecting canners have been before Congress eleven times and eleven times Congress has refused to authorize the controls proposed. In none of the previous eleven times were the proposals as drastic and the controls as complete as those provided for in this over-all omnibus farm bill.

We are not making any representations for basic crops such as cotton, corn, wheat or soybeans. Whether on such things as milk or hops or other commodities compulsory marketing orders may have some utility is a matter that we leave to Congress, in conjunction with the affected segments of agriculture. We do submit, however, that to say and to argue that a compulsory control may operate well on one commodity and, therefore, should be applied to everything else under the misleading label "self-help" is like suggesting that a drug necessary for a man with heart trouble is good for the whole population.

QUESTIONS by the House Agriculture Committee

[Following are excerpts from the transcript of questions by Chairman Cooley and the answers by Mr. Kraus and Mr. Austern.]

MR. KRAUS. The controls provided in H. R. 6400 are on all raw materials that are used by the canners for processing. It is our position and it is our contention that, with such controls, you also control the final product. We cannot operate without knowing in advance what we are going to can and when we are going to can it.

THE CHAIRMAN. Let me interrupt you. Do you now have marketing orders on fruits and vegetables in operation?

MR. KRAUS. No, sir. Not so far as vegetables are concerned. I believe there are some on certain fruits, under state orders.

THE CHAIRMAN. You say there are some state marketing orders?

MR. KRAUS. I believe one, sir, on cling peaches.

THE CHAIRMAN. On cling peaches?

MR. KRAUS. Yes.

THE CHAIRMAN. Do you can cling peaches?

MR. KRAUS. I do not, sir.

THE CHAIRMAN. What do you can?

MR. KRAUS. We can corn, peas, peas and carrots, succotash, beets, carrots, potatoes, dry beans.

THE CHAIRMAN. Let us get it straightened out so that we can all understand. You, and your people that you represent, object to this legislation because the order contemplated by the proposal would enable the producers of these commodities to control the orderly marketing of those commodities?

MR. KRAUS. We object to it for the plain economic reason that we have a market that we must provide for. We have a plant that we have to operate that has a certain fixed overhead. And if we do not have enough commodities going through that plant to take care of that overhead we are going broke.

THE CHAIRMAN. Your position would be the same as Borden & Company who objected to milk marketing orders because it would limit their supply?

MR. KRAUS. No, sir.

THE CHAIRMAN. Why not?

MR. KRAUS. My position is simply this: Under the terms of this Act we find that we have absolutely no voice in determining what we are going to can, or when we are going to can it, or even the grade. And under the provisions of this Act, it even goes so far that we can be assessed for research and for advertising.

THE CHAIRMAN. What is new in this proposal that is not now in the law with regard to marketing orders and agreements with regard to fruits and vegetables?

MR. KRAUS. We have none now.

THE CHAIRMAN. The law is so written that you can have them if you want them.

MR. AUSTERN. This statute, Mr. Chairman, is inapplicable to canning crops with the exception of two fruits and one vegetable.

THE CHAIRMAN. Two fruits and one vegetable?

MR. AUSTERN. The two fruits are olives and grapefruit—that is, the present law covers only asparagus under vegetables—and you will recall that Congress was asked to add grapefruit for canning. And you did some years ago, with special safeguards giving the processors a vote. That provision has never been used. A better marketing job was done without the order. But the present Act does not now cover us, except as I have stated.

THE CHAIRMAN. Do you mean that the present marketing orders and agreements provisions does not cover fruits and vegetables?

MR. AUSTERN. For canning.

THE CHAIRMAN. That are to be canned?

MR. AUSTERN. That is correct, sir. It covers canned and frozen grapefruit. It covers olives and it covers asparagus.

THE CHAIRMAN. In other words, you do not want that broadened to cover your crops?

MR. AUSTERN. That is the precise question before the Committee.

THE CHAIRMAN. I think that is very clear. Is that all, Mr. Kraus?

MR. KRAUS. That is our position, sir.

THE CHAIRMAN. We thank you, sir.

I would like the record to note, too, that these two gentlemen have been accompanied by Dr. Howard L. Stier, Director of the Division of Statistics of the National Canners Association, and Mr. H. Thomas Austern, of Covington & Burling, general counsel for the Association, and Mr. H. Edward Dunkelberger, of the law firm of Covington & Burling, Washington, D.C.

MR. KRAUS. I wish to ask permission to file with the clerk an amendment to H. R. 6400 that we believe will accomplish the purpose for which we have been here, and which we have been discussing.

THE CHAIRMAN. All right. You may have that permission. File it with the reporter.

(The amendments to H. R. 6400 proposed by the National Canners Association follow:)

On page 8, line 24, insert after the words "agricultural commodity," the words "(not including agricultural commodities for canning or freezing)".

On page 9, lines 1 and 2, strike the words "(including canned or frozen commodities or products)".

On page 16, line 5, insert after the words "naval stores" the words "Provided: that this part shall not apply to any agricultural commodity for canning or freezing."

On page 36, line 16, insert after the word "commodity," the words "(not including agricultural commodities for canning or freezing)".

STATEMENT of the N.C.A.

[Following is the text of the statement of the N.C.A. which was submitted to the House Agriculture Committee and inserted in its record of hearings on H.R. 6400, the so-called Agricultural Act of 1961.]

The National Canners Association is a non-profit trade association consisting of almost 650 members canning in 48 of the 50 states and the territories. Members of the Association, including canning companies and co-operative canning enterprises, pack approximately 75 percent of the entire national production of canned fruits, vegetables, specialties, meat and fish.

This statement, presented by the Association on behalf of the entire canning industry, is addressed to Title I of H.R. 6400—the "Agricultural Act of 1961," and is concerned primarily with the impact that Title I would have upon the canning industry by authorizing the imposition of a variety of comprehensive government regulatory controls on canners and growers of canning commodities.

Although the principal emphasis of this statement is to detail our opposition to H.R. 6400 as it applies to canning commodities, initially we would like to remind the Committee that the canning industry has for many years followed a "program," which is an affirmative approach to solving the difficulties created by the uncertainties of nature and the perishability of raw products.

The canning industry "program" of contracting for the raw product, often many months before the planting season—which will be described more fully later in this statement—has given to producers of canning crops a degree of flexibility and independence that is enjoyed by few other segments of the agricultural economy. These grower contracts, which transfer much of the risk, inescapably found in agriculture, from the producer to the canner, assure the producer that at harvest time he will have a market for his crop at an agreed price.

We firmly believe that preharvest contracting, along with the continued research, advertising, and promotion carried on by members of the industry, has been largely responsible for the remarkable development and growth of agricultural production for canning free of artificial regulatory controls.

We would now like to turn our attention to the specific Title I provisions in the Agricultural Act of 1961, with particular emphasis on how the Act would impose rigid government controls on the canning industry.

SUBTITLE B—MANDATORY MARKETING ORDERS

H.R. 6400 would, by amending Section 8c(2) of the Agricultural Marketing Agreement Act of 1937, authorize the application of marketing order controls to any agricultural commodities not already listed in the section, but not to products of these additional commodities. The effect of this amendment would be to authorize for the first time the imposition of marketing order controls on all canning commodities.

Initially, we would like to point out that this proposal to subject canning crops to marketing orders can under no circumstances be considered to be novel or original. In fact, proposals to apply mandatory marketing orders to canning crops and canned foods have been introduced in Congress repeatedly since 1933, and have been the subject of extensive hearings eight

separate times—1934, 1935, 1937, 1939, 1940, 1947, 1948, and 1954. Each time, Congress has thoroughly and exhaustively examined this proposal, and each time Congress has consistently recognized the compelling reasons for rejecting this economic regulation of the canning industry.

It should be emphasized that it makes no economic difference whether marketing orders are applied to the canned product itself or to the commodities which are sold to canners for processing. The rigid controls on the raw product that would be authorized by this legislation would just as effectively stifle economic freedom and impose unwarranted restrictions directly on the canner as regulation of the finished product.

This bill, like all other proposals to subject canning crops to marketing order controls, takes no cognizance of the processor, who is called the "handler." The processor is completely disenfranchised with respect to his own right to regulate his own business, and becomes nothing more than an administrative orphan without rights and with only a limited opportunity to object to the regulation that is being imposed upon him, against his will and at his expense.

Let us examine, in some detail, just what this proposal means to canners. First, it should be noted that the imposition of marketing orders to canning crops and other canning commodities involves regulation of the canner. The Act, as amended, would specifically authorize provisions in marketing orders regulating the quantity, grade, size and quality of each raw fruit or vegetable that each canner may purchase from each grower. It is difficult to imagine any form of economic regulation on the canning industry that would be more restrictive of its freedom and its ability to utilize the experience and knowledge it has gained over years of operation, with respect to the raw product.

In addition to this regulation of the quantity and quality of the raw material, marketing orders would also authorize reserve pools and surplus disposal provisions. With respect to highly perishable canning commodities, this could mean nothing more than sale of the raw product to other outlets that compete directly with the canner for the consumer's dollar. Since it is the canner who would be paying the expenses of the order, as will be pointed out below, he would in effect be financing the marketing of commodities directly competitive with his own production.

Provisions could also be included in orders providing for inspection of the commodity produced during specified periods, and regulations could be issued for fixing the size, weight, dimensions or pack of containers used in packaging, transporting or handling the raw product.

The Act authorizes provisions in orders prohibiting unfair methods of competition and unfair trade practices in the handling of the raw product. The antitrust laws, enforced and administered by the Department of Justice and the Federal Trade Commission, would apparently no longer apply to growers and to raw product procurement by canners. Instead, the Secretary of Agriculture and his grower committees would be the sole judges as to what restrictions should be imposed upon growers and canners, in their dealings with one another.

Finally, provisions could be included within the order establishing marketing research and development projects, including advertising, supposedly designed to assist, improve and promote the marketing, distribution, and consumption of the commodities covered by the order. The authorization of advertising programs could result in the unique situation of canners being assessed for the expenses of a marketing order which provided for an extensive advertising program directed toward the promotion of the commodity in the fresh market. The canner would thus be paying for the promotion of a commodity that directly competes with the canned product, and the canner would have no say as to the type of advertising program or how much it should cost.

This summary of the regulatory controls authorized by marketing orders has made it clear that it is the *canner* who would be regulated. It might be expected, then, that canners would have a voice in formulating and approving a marketing order that would rigidly regulate their business, but this is not the case. Even though the Act is entitled the "Agricultural Marketing Agreement Act," there have in fact been few, if any, actual marketing agreements promulgated under it. Marketing agreements are authorized for any group of producers and handlers who agree to them by Section 608b, but a marketing order under Section 608c(9) may be issued "notwithstanding the refusal or failure of handlers"—to sign a marketing agreement, if it is approved in a referendum by two-thirds of the producers of the commodity, or by producers who produce two-thirds of the volume of the commodity. The handlers are regulated, but it is the producers alone who can approve the order.

Proponents of H.R. 6400 have been quick to emphasize that additional limitations would be placed on the authority of the Secretary to issue a marketing order, but these limitations are largely illusory and in fact provide handlers with no real protection against unwise and unjustified regulation. The first "limitation" that would be added by H.R. 6400 is a requirement that the Secretary, before proposing a "national" marketing order,

must consult with the appropriate national farmer advisory committee. This of course is no more than a requirement that he consult, and he is under no obligation whatsoever to take their advice or to pay any particular heed to their recommendations. It should also be noted that these farmer advisory groups are composed entirely of growers and producers, with the exception of one consumer representative. There is no provision for handler or processor representatives on these committees, even though marketing orders would severely regulate processors and handlers, ostensibly for the benefit of growers.

A second "limitation" contained in the bill is the provision that the Secretary must obtain approval of the President for any proposed "national" order. It cannot be seriously suggested that this provision would be an effective limitation on the broad sweeping authority that would be given the Secretary of Agriculture by this bill. The Secretary is the President's own representative, and it is extremely unlikely that the President—concerned with foreign affairs and other national issues—would have the opportunity to give detailed study to the complaints of those who would object to the wisdom of orders proposed to be issued by his own appointee. Furthermore, under existing statutory authority the President may by executive order delegate his authority for final approval to the Secretary.

A third apparent limitation on the authority of the Secretary is that contained in the provision requiring Congress to review proposals for "marketing quotas," "national" marketing orders, or any marketing orders which provide for producer allotments or quotas. Surely, it is too much to expect that a busy Congress will find time to give adequate consideration to a myriad of proposed programs that have been worked out in detail by the Secretary.

Furthermore, Congressional authority would be an all or nothing affair—Congress would have to make a decision between a specific program or no program at all. Congress could not modify a proposed marketing order to provide an exception for canning crops, and might have to choose between unjustly imposing controls on canners or vetoing the proposed order altogether. We feel that there should be no need for such a choice—it should be made clear at the beginning—in the Act itself—that canning commodities may not be subjected to production controls.

It is now clear that the effect of H.R. 6400 would be to authorize extensive and rigid controls on canners, even though canners would have no say in the formulation or approval of the order. Instead, growers, and growers alone, would decide whether a particular order should be approved.

Now let us see how these orders would be administered. Section 8c(7) of the present Act, which would not be amended in this respect, provides for the selection by the Secretary of Agriculture of an "agency" to administer the order and to make rules and regulations effectuating the terms of the order. In addition, this agency or committee would investigate complaints and violations of the order and could recommend to the Secretary amendments to the order. There has already been a suggestion in these hearings that such agencies would be made up of the farmer advisory committees authorized in subtitle A of the bill. Whether or not this is the case, it is clear that there is *no provision for processor representation* on these administering agencies. Canners would have no assurance that they would be fairly represented on these agencies, and if in fact the farmer advisory committees of subtitle A are employed for this purpose, then it is clear that there *could* be no processor representation.

Even though marketing orders on canning crops must be approved by growers and would be administered by grower committees, it would be the canners who would be subjected to penalties, not the growers, for the penalty provision of Section 8c(14) is applicable *only* to handlers. Any handler—which would include a canner—regulated by a marketing order, who violates any provision of the order would be subject to a fine of not less than \$50 or more than \$500 for each violation, or for each day of a continuing violation.

Finally, we come to provisions establishing who must pay for these orders, which are allegedly for the grower's benefit, but which regulate the canner and subject him to severe restrictions and penalties. Section 10b(2) of the Act provides that each order relating to a commodity issued by the Secretary "shall provide that each handler subject thereto shall pay to any authority or agency established under such order such handler's pro rata share (as approved by the Secretary) of such expenses as the Secretary may find reasonable and are likely to be incurred by such authority or agency . . ." What has been said by proponents of this bill with respect to producers financing their own programs would have no application to marketing orders that did not contain provision for grower allotments under the proposed new Section 8g. A marketing order containing provisions authorized by the present Act would be paid for by handlers—meaning canners and processors—not by growers.

In summary, then, this proposal to *authorize* the application of marketing orders to all commodities would authorize extensive regulation of canners, at their expense and over their objection. This regulatory

scheme would be administered by grower groups and the Secretary of Agriculture; but only canners would be subject to penalties. It is difficult to imagine any system which would be less democratic and more restrictive of the canner's freedom.

MARKETING QUOTAS AND ALLOTMENTS

H.R. 6400 would, either through the marketing order provisions in subtitle B, or the marketing quota provisions in subtitle C, authorize for the first time the establishment of marketing allotments and quotas which would directly regulate the amount of production of growers, or the acreage which they could plant in a particular commodity.

With respect to the marketing order provision, the bill would add a new section to the Agricultural Marketing Agreement Act, *Section 8f*, which would authorize provisions in marketing orders allotting, or providing methods for allotting, the amount of any commodity of any grade, size, or quality thereof which each grower may be permitted to market or dispose of in any or all markets during any specified period.

Now, for the first time, growers also would be subject to the direct regulation of marketing order provisions, specifically for the purposes of providing allotments. The amendment would provide that growers for whom allotments are established shall be deemed to be "handlers" subject to the order for purposes of the Act. This apparently means that growers could share in assessments for expenses of the order, and would be subject to the penalties that apply only to handlers.

Of course, processors would still remain "handlers," and even though the growers as handlers would be subject to assessment, there would be no protection against varying assessments, for the Act only requires that each handler be assessed for his pro rata share, without any indication of how each share will be determined.

Subtitle C, page 15, of the bill provides for the establishment of marketing quotas for specified agricultural commodities including, for the first time, all fruits and vegetables.

This would authorize the establishment of individual farm quotas, and could thereby limit the total production for market in any one year of the commodity under regulation.

These marketing quotas would be subject to the same supposed "safeguards" that are provided in the marketing order provisions, insofar as the President must approve each marketing quota program, farmer advisory committees must be consulted by the Secretary, Congress is given the same 60-day period within which it may veto a proposed program, and a grower referendum must be held. If more than one-third of the farmers voting in the referendum oppose the

quota or quotas, such quotas would become ineffective upon proclamation of the results of the referendum. Processors and other handlers would not be eligible to vote in the referendum.

Thus, these two alternative methods of establishing grower allotments or quotas would, in the case of canning commodities, severely impair the present contract system. Rather than each grower deciding independently what and how much he will produce, he would be assigned a specific quota or allotment restricting his production and he could not exceed his marketing quota without suffering the penalties provided in the bill.

Here again, it is difficult for the canning industry to understand what conceivable benefit a program of this type could have with regard to these canning commodities. As we have pointed out before, the present method of raw product procurement prevailing in the canning industry assures growers that they will have a market for their production at an agreed price. There is absolutely no need for an artificial system of establishing producer quotas or allotments.

SUBTITLE D—PRICE STABILIZATION

Subtitle D of the bill would provide for price supports for all agricultural commodities, including those for canning. It is difficult to understand how price support programs could be made applicable to perishable canning commodities, for raw products such as perishable fruits and vegetables are not susceptible to storage, and make completely impractical such methods as commodity purchases and other programs through which price supports would be implemented.

The price stabilization provisions in the bill are directly related to the supply adjustment provisions that would be authorized in subtitles B and C. We have demonstrated above that marketing orders and marketing quotas should not be applicable to canning commodities, and for these same reasons, such commodities should not be subject to artificial price stabilization programs.

NO DEMONSTRATED NEED FOR GOVERNMENT CONTROL

APPLICABLE TO CANNING COMMODITIES

As pointed out above, growers and canners, free of government control, have a remarkable record of growth and development benefiting the grower, processor and consumer. We feel this record alone is sufficient answer to any proposal that government controls be authorized for canning crops. The accompanying charts vividly demonstrate why marketing orders are entirely unnecessary and unadaptable to the canning industry.

These charts compare the record of the canning and processing industry as it was in 1934 and as it has developed through the years, up to 1960, without the restrictions of marketing

orders or subsidies. The year 1934 is taken because that was the year the agitation began for involuntary government controls of canned food production—supposedly to develop more and better markets for canning crops. In addition the three-year average for 1934-36 is compared with the average for the three most recent years for which data are available.

The first chart (Figure 1) shows the corresponding steady and massive increase in per capita consumption of processed fruits and vegetables since 1934. The number of pounds per capita of these products annually consumed in the United States has tripled—from 35 pounds to over 107 pounds per capita. There can be little doubt that the canning industry has been doing its part to increase the market for farmers who choose to produce canning crops.

Our next two charts show the astounding over-all increase in the production of fruits and vegetables for processing between 1934 and 1960, in relation to the more gradual increase in population. The production of vegetables for processing (Figure 3) increased from 2.6 million tons in 1934 to 7.3 million tons in 1960. This increase was five times the rate of population increase during the same period. The production of fruits for processing (Figure 2) increased from 3.4 million tons in 1934 to 10.5 million tons in 1959, the last year for which figures are presently available. Thus the production of fruits for processing increased at a rate six times the rate of population increase.

The five maps (Figures 4 through 8) illustrate the growers' side of this development and show the vast increase in tonnage of canning crops which has resulted from this increased consumption of canned foods. Equally important, they show the striking fashion in which states that 25 years ago had either little or no production today enjoy impressive tonnages of canning crops.

These maps inescapably reveal that any control of canning crops for processing—necessarily based on historical patterns—would have forestalled this tremendous development, story on peas. Each dot represents 1,000 tons for processing. The light dots show the production in 1934, and the dark dots the increase by 1960. Increases in pea tonnages for processing in the Midwest are striking. Note especially the 10-fold increase in Minnesota and the 20-fold increase in Illinois—a clear example of what happens without controls on production. There were also large increases in California and Pennsylvania, and very dramatic increases in the Pacific Northwest.

The first map (Figure 4) shows the same story for snap beans. Here there was a phenomenal increase in the tonnage for snap beans for processing

in many areas. If production controls had been in effect then the 20-fold increase in Texas, the 15-fold increase in Tennessee, the 14-fold increase in California, the 8-fold increase in Florida, and indeed many of the other increases, may never have occurred or been possible.

The map for *sweet corn* (Figure 6) indicates that there have been large increases in the Mid-Atlantic States, in the Midwest, and once again in the Pacific Northwest. In Pennsylvania the 1960 production of sweet corn for processing was more than three times the 1934 production and Washington production increased 20 times.

The map for *canned tomatoes* (Figure 7) makes clear the large increases in Florida, Pennsylvania, Ohio, Michigan, Texas, and Illinois—and the phenomenal increase in California where the tonnage grown for processing increased from about ¼ million tons in 1934 to 2¼ million tons in 1960.

The last map (Figure 8) shows the similar increase and distribution by states for *asparagus*. The remarkable increase in the production of asparagus in states other than California resulted, at least in part, from the use of state marketing orders in California, while the balance of the country was free to expand.

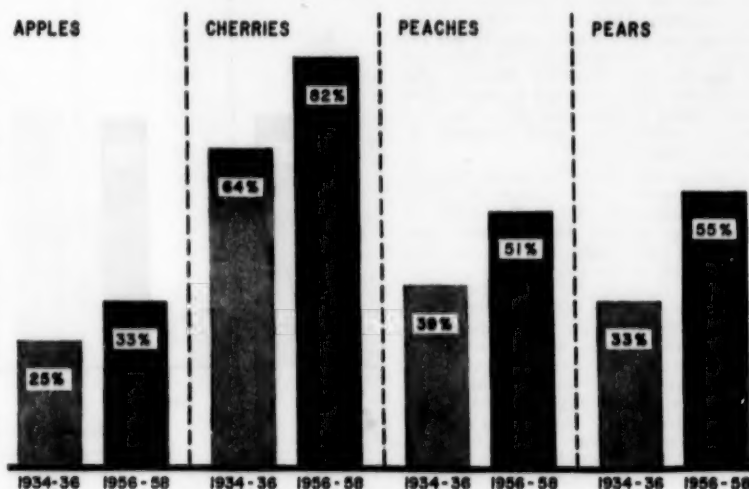
The next three charts show the dramatic increase in the *proportion* of fruits and vegetables that are *processed*. In the first (Figure 9) we have set forth the comparison of production for canning in equivalent units between 1934 and 1960 of apples, cherries, peaches and pears. The next chart (Figure 10) shows the same story for sweet corn, peas, snap beans, asparagus and tomatoes. The third chart (Figure 11) shows an even more dramatic story of production of citrus for processing. This is broken down for oranges, grapefruit and lemons, for which the increases in tonnage have been remarkable. The increases in tonnage have brought large cash returns to the growers in these areas for each of these crops. The canning industry thus has developed vastly increased markets for fruits and vegetables, and the return to the grower has increased.

The next chart (Figure 12) shows that canned fruits and vegetables have been delivered to the consumer at prices far below those of other foods. Not only has this industry increased its markets, opened up vast new canning areas, but it has also over the past 25 years provided consumers with the "best buy" in the market basket. It has done all of this within a free economy and without mandatory marketing controls imposed upon it or upon the growers who supply the raw product. Instead, the relationship between canner and grower has typically been one of complete freedom, within an over-all atmosphere of cooperation.

Figure 9

DECIDUOUS FRUITS: PROPORTION PROCESSED

1934-36 AND 1956-58 AVERAGE

Fruits: Proportion Processed
1934-36 Average and 1956-58 Average

Year	Production (thousands of bushels)	Fresh (thousands of bushels)	Processed (thousands of bushels)	Percent Processed
APPLES				
1934	97,258	73,790	23,468	24
1935	122,403	91,349	31,054	39
1936	90,931	68,994	21,937	24
3-Yr. Ave.	103,530	78,044	25,486	25
1956	97,986	64,622	33,364	34
1957	113,895	78,555	35,340	31
1958	121,205	81,582	39,623	33
3-Yr. Ave.	111,029	74,920	36,109	33
CHERRIES				
1934	119	51	68	57
1935	129	40	89	69
1936	110	40	70	64
3-Yr. Ave.	119	43	76	64
1956	162	31	131	81
1957	234	39	194	83
1958	183	36	149	81
3-Yr. Ave.	193	35	158	82
PEACHES				
1934	40,099	23,929	16,170	40
1935	48,208	31,466	16,742	35
1936	44,301	25,002	19,199	43
3-Yr. Ave.	44,169	26,799	17,370	39
1956	64,057	29,295	34,762	54
1957	57,091	27,749	29,342	52
1958	66,406	35,477	30,929	47
3-Yr. Ave.	62,718	30,840	31,878	51
PEARS				
1934	24,038	16,110	7,928	33
1935	22,460	15,500	6,960	31
1936	24,562	15,609	8,953	36
3-Yr. Ave.	23,687	15,739	7,947	33
1956	31,160	13,032	18,128	58
1957	29,928	14,343	15,585	52
1958	27,630	12,087	14,943	54
3-Yr. Ave.	29,573	13,354	16,219	55

Source: U. S. Department of Agriculture;

HARMFUL EFFECTS OF APPLYING PRODUCTION CONTROLS TO CANNING CROPS

The basic purpose of any compulsory supply adjustment program is of course to *limit production*, and thereby to raise the price of the commodity. It is thought that by this method the grower can increase his yearly net income. But any realistic consideration of the factors involved compels the conclusion that restricted production and higher prices can only lead to serious difficulties, with respect to canning commodities.

First of all, nature is unpredictable and has never been known to cooperate consistently with the well ordered plans of men. In any given year a system of production limitations might work, to the extent that normal consumer demand for a high-quality product is satisfied, but not surpassed. But it is just as likely that unforeseen natural phenomena will result in a smaller crop than expected, or in a lower quality. By harvest time, the production limitations put into effect at the *beginning* of the season cannot be changed. Under those circumstances, the individual grower, whose production already has been restricted by controls, will not be able to realize his allocated quota.

The second factor frequently ignored by advocates of marketing orders and other methods of production limitation is that higher prices do not automatically lead to greater profits. The interchangeability of canned foods has been shown to be fairly high—that is, the housewife is constantly shopping for the best bargains, and if a particular product is too expensive she will purchase alternative products.

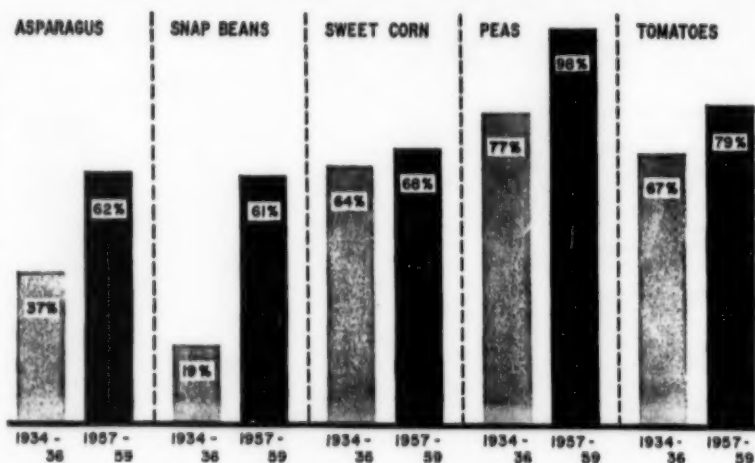
Few canned foods have a fixed demand. Thus, an elaborate program designed to limit production and adjust prices may well result in widespread consumer refusal to buy that product. And once consumers stop buying a product, it may take more than a lower price to induce them to purchase it again on a regular basis. If the final effect of restricted production is to raise prices and reduce consumption, then it is doubtful that growers would receive an increase in net income from canning crops.

A third objection to production limitations on canning crops is that they tend to stifle growth and development. Charts have already been referred to that reflect the astounding increases in the packs of processed fruits and vegetables. Per capita consumption of these products has risen steadily, and total volume far in excess of population growth.

If marketing and production controls had been applied in earlier years, there is no question but that the industry could not have approached this record. Improved grower and canner techniques have spurred marketing innovations, and vice versa. New and improved canned products gain con-

Figure 10
VEGETABLES: PROPORTION PROCESSED

1934 - 36 AND 1957 - 59 AVERAGE



Vegetables: Proportion Processed
1934-36 Average and 1957-59 Average

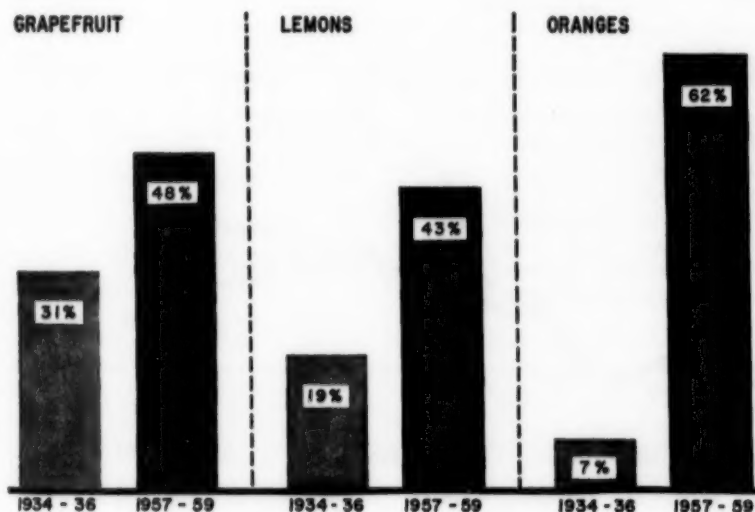
Year	Total Production (thousands of tons)	Fresh	Processed	Percent Processed
CORN				
1934	863	365	498	58
1935	1,223	363	860	70
1936	976	368	608	62
3-Yr. Ave.	1,020	365	655	64
1957	2,183	650	1,534	70
1958	2,060	730	1,330	65
1959	2,316	737	1,579	68
3-Yr. Ave.	2,186	709	1,478	68
PEAS (Shelled Basis)				
1934	221	56	165	75
1935	331	63	268	81
1936	251	63	188	75
3-Yr. Ave.	268	51	207	77
1957	508	10	558	98
1958	495	9	486	98
1959	480	9	471	98
3-Yr. Ave.	514	9	505	98
TOMATOES				
1934	2,276	850	1,426	63
1935	2,553	853	1,700	67
1936	2,763	775	1,988	72
3-Yr. Ave.	2,531	826	1,705	67
1957	4,347	1,032	3,315	76
1958	5,253	966	4,287	82
1959	4,543	1,005	3,538	78
3-Yr. Ave.	4,714	1,001	3,713	79
SNAP BEANS				
1934	401	335	66	16
1935	395	313	82	21
1936	360	284	76	21
3-Yr. Ave.	385	310	74	19
1957	610	249	361	59
1958	594	229	365	61
1959	595	226	369	62
3-Yr. Ave.	600	235	365	61
ASPARAGUS				
1934	147	97	50	34
1935	142	85	57	40
1936	158	99	59	41
3-Yr. Ave.	149	93	55	37
1957	184	70	114	62
1958	180	69	111	62
1959	194	66	118	64
3-Yr. Ave.	183	68	114	62

Source: U. S. Department of Agriculture.

Figure 11

CITRUS FRUITS: PROPORTION PROCESSED

1934-36 AND 1957-59 AVERAGE

Citrus Fruits: Proportion Processed
1934-36 and 1957-59

Year	Total	Fresh	Processed	Percent Processed
(thousands of tons)				
GRAPEFRUIT				
1934-35.....	808	561	247	31
1935-36.....	686	508	178	26
1936-37.....	1,187	793	394	33
3-Yr. Ave.....	894	621	273	31
1956-57.....	1,749	893	856	49
1957-58.....	1,543	809	734	48
1958-59.....	1,711	885	826	48
3-Yr. Ave.....	1,667	862	805	48
LEMONS				
1934-35.....	408	273	135	33
1935-36.....	295	282	13	4
1936-37.....	287	248	39	14
3-Yr. Ave.....	330	268	62	19
1956-57.....	639	381	258	40
1957-58.....	667	492	175	26
1958-59.....	684	346	338	49
3-Yr. Ave.....	663	376	287	43
ORANGES				
1934-35.....	2,356	2,215	141	6
1935-36.....	1,970	1,900	70	4
1936-37.....	2,094	1,859	235	11
3-Yr. Ave.....	2,140	1,991	149	7
1956-57.....	5,838	2,352	3,486	60
1957-58.....	4,706	1,696	3,010	64
1958-59.....	5,686	2,105	3,581	63
3-Yr. Ave.....	5,410	2,051	3,359	62

Source: U. S. Department of Agriculture.

sumer acceptance, which soon turns into a growing demand. To this end, individual canners are constantly experimenting, testing and investing.

A fourth related factor is that any system of production limitations, even if implemented through restrictions on what canners can purchase, must eventually operate upon individual growers. Some means must be found to allocate a quota to each grower before planting begins. The only method yet developed to accomplish this has been upon an historical basis.

Production is thereby geared to past performance, and the flexibility so necessary to a dynamic industry is sacrificed. There is no incentive for the efficient grower who can increase production and quality at lower cost, for he knows his production quota can only rise proportionately with other growers in his area. This allocation of quotas on an historical basis also operates disadvantageously for areas and states that would otherwise be inclined to produce a crop not previously grown. The maps portraying the increased production since 1934 make it clear that if marketing orders had restricted production to early 1930 patterns, many states now producing thousands of tons of valuable canning crops could never have done so.

It is inconceivable that any program of regulatory controls on canning crops could effectively deal with these factors. Supply and demand operating on a competitive system within which each grower and canner responds as his experience and knowledge dictate have so far more than satisfied the interests of all concerned.

This vital grower-canner relationship is the point on which all competing interests are balanced. Unless that relationship is governed by freedom of choice—reflecting estimates of the economic situation, consumer demand, available supply, quality of product, personal trust and confidence, and efficiency of operation—the inevitable result is an imbalance that can only operate to everybody's disadvantage.

A familiar tactic of those proposing the application of marketing orders to canning crops is to inquire into the mutuality of interest of growers and canners. Canners are frequently heard to stress the mutuality of interest between canners and growers, and marketing order proponents argue from this that canners should have no reason to fear administration of marketing orders by grower committees. This conclusion presumes an identity of interest between the two parties, not just a large area of common interests.

Most canners and growers recognize that both will benefit from a system of cooperation in producing a high-quality product. The consumer must be satisfied if canned foods are to be

sold, and both canners and growers cooperate to achieve this result. But there is nevertheless an area where the two parties must bargain—where their interests are not identical, and a compromise agreement must be made. This area typically includes price and other conditions to the contract.

An important point to note in regard to this bargaining is that the consumer's interest is here represented by the canner's knowledge and experience with marketing factors relating to merchandising the finished canned food. The grower is in no position to know or appreciate consumer tastes and demands. The canner is, and he takes these into consideration when negotiating for the quantity, quality, yield and price of the raw product.

Thus, if the grower is left to establish quality, yield and quantity on his own, as he would through a grower referendum on the order itself or through grower committee administration of marketing orders, not only would there be an imbalance in favor of growers, but there would also be a concomitant neglect of the consumer's interest.

Even the most far-sighted group of growers could not help but give some distortion to the supply and demand factors. No reasonable figures could be established without precise knowledge of marketing conditions, and it is the canner more than any other party who has this information. More importantly, all interests can be satisfactorily balanced only through the system of a competitive market.

SUMMARY AND CONCLUSION

We have attempted to show that H. R. 6400—the "Agricultural Act of 1961"—would, with respect to canning commodities, revive proposals that have been made periodically since 1933 to authorize production limitations on canning crops and to subject the canning industry to drastic regulatory controls, which would be approved and administered by growers, but financed by canners.

Congress has in the past consistently rejected these proposals and has refused to authorize controls that would restrict canners' freedom and interfere with the operation of the efficient and effective practices that have provided immeasurable benefits to growers, canners, and consumers. In 1961, as in prior years, there is no demonstrated need for these proposed limitations on the growing of canning commodities, and no justification for regulation of the canning industry.

The canning industry's opposition to marketing order controls and other methods of production limitations on canning commodities can be summarized:

(1) Mandatory marketing orders and marketing quotas applied to canning commodities are *anti-competitive* in that they substitute regulation for free competition. Flexibility, incen-

tive, growth and development are all sacrificed.

(2) Every phase of the canner's procurement operations would be controlled if compulsory marketing orders or marketing quotas were applied to canning commodities. A canner could be told from whom he may buy his raw product, in what amounts, and what quality, size and grade. The result would be complete control of what could be canned, where, and in what amounts.

(3) The elaborate controls authorized by compulsory marketing order legislation would be plainly *undemocratic* and *unreasonable* as applied to canners, and would result in detrimental regimentation of the entire canning industry. Compulsory marketing orders can be issued upon the basis of grower approval alone over the objections of *all* processors who would be controlled by its detailed provisions. Orders would be administered by grower committees, but canners would bear the expenses of the regulation and would be exposed to the risk of penalties.

(4) *No need* has been shown to justify the authorization of mandatory marketing orders or marketing quotas for canning commodities. Canned foods have continued their phenomenal record of growth and development, free of regulatory restraints.

(5) The regulatory scheme authorized by H. R. 6400 would restrain the development and restrict the growth of canned foods. Any system embodying crop limitation could be disastrous in years of crop loss. The historical basis of production allocations limits entry and encourages indifferent farming practices. Artificially raised prices

for canned foods could drive customers to alternative products, and permanently reduce the consumer demand for canned commodities.

(6) The consumer would almost certainly lose from any system of restricted production, increased prices, and reduced competition. Grower committees would have neither the knowledge nor experience to reflect consumer tastes and demands for canned foods.

In conclusion, the National Canners Association respectfully urges that these mandatory marketing orders, marketing quotas, and price stabilization programs not be made applicable to canning commodities and to accomplish this purpose we suggest the following amendments:

On page 8, line 24, insert after the words "agricultural commodity," the words "(not including agricultural commodities for canning or freezing)".

On page 9, lines 1 and 2, strike the words "(including canned or frozen commodities or products)".

On page 16, line 5, insert after the words "naval stores" the words "Provided: that this part shall not apply to any agricultural commodity for canning or freezing."

On page 36, line 16, insert after the word "commodity" the words "(not including agricultural commodities for canning or freezing)".

Without these requested amendments to H. R. 6400, Congress would be authorizing a system of regulatory controls that would be contrary to the interests of growers, processors, distributors, consumers and the general public.

Figure 12
RETAIL PRICE INDEXES

